

MONO COUNTY ASSESSMENT PRACTICES SURVEY

OCTOBER 2001

CALIFORNIA STATE BOARD OF EQUALIZATION

JOHAN KLEHS, HAYWARD
DEAN ANDAL, STOCKTON
CLAUDE PARRISH, TORRANCE
JOHN CHIANG, LOS ANGELES
KATHLEEN CONNELL, SACRAMENTO

FIRST DISTRICT
SECOND DISTRICT
THIRD DISTRICT
FOURTH DISTRICT
STATE CONTROLLER

JAMES E. SPEED, EXECUTIVE DIRECTOR





STATE OF CALIFORNIA

STATE BOARD OF EQUALIZATION

PROPERTY TAXES DEPARTMENT
450 N STREET, MIC: 62, SACRAMENTO, CALIFORNIA
(PO BOX 942879, SACRAMENTO, CALIFORNIA 94279-0062)
TELEPHONE (916) 324-5827
FAX (916) 323-5689
www.boe.ca.gov

JOHAN KLEHS
First District, Hayward

DEAN ANDAL
Second District, Stockton

CLAUDE PARRISH
Third District, Torrance

JOHN CHIANG
Fourth District, Los Angeles

KATHLEEN CONNELL
Controller, Sacramento

JAMES E. SPEED
Executive Director

October 9, 2001

TO COUNTY ASSESSORS:

MONO COUNTY
ASSESSMENT PRACTICES SURVEY

No. 2001/064

A copy of the Mono County Assessment Practices Survey Report is enclosed for your information. The Board of Equalization (BOE) completed this survey in fulfillment of the provisions of sections 15640-15646 of the Government Code. These code sections provide that the BOE shall make surveys in each county and city and county to determine that the practices and procedures used by the county assessor in the valuation of properties are in conformity with all provisions of law.

The Honorable R. Glenn Barnes, Mono County Assessor, was provided a draft of this report and given an opportunity to file a written response to the findings and recommendations contained therein. The report and the county assessor's response constitute the final survey report. Pursuant to Government Code section 15646, this report is distributed to the Governor, the Attorney General, the State Legislature, and the Mono County Board of Supervisors, Grand Jury, and Assessment Appeals Board.

The BOE's County Property Tax Division performed fieldwork for this survey of the Mono County Assessor's Office during July and August 2000. This report does not reflect changes implemented by the assessor after the fieldwork was completed.

The survey process inherently requires the interruption of normal office work routines. We thank Mr. Barnes and his staff for their cooperation and patience during this assessment practices survey.

These survey reports give government officials in California charged with property tax administration the opportunity to exchange ideas for the mutual benefit of all participants and stakeholders. We encourage you to share your questions, comments, and suggestions for improvement with us.

Sincerely,

/s/ Richard C. Johnson

Richard C. Johnson
Deputy Director
Property Taxes Department

RCJ:jm
Enclosure

TABLE OF CONTENTS

| | |
|--|-----------|
| INTRODUCTION..... | 1 |
| SCOPE OF ASSESSMENT PRACTICES SURVEYS..... | 2 |
| EXECUTIVE SUMMARY..... | 3 |
| RESULTS OF 1996 SURVEY..... | 6 |
| OVERVIEW OF MONO COUNTY..... | 8 |
| ADMINISTRATION | 9 |
| STATE-COUNTY PROPERTY TAX ADMINISTRATION PROGRAM | 9 |
| APPRAISER CERTIFICATION..... | 9 |
| EXEMPTIONS | 10 |
| SUPPLEMENTAL ASSESSMENTS..... | 11 |
| DISASTER RELIEF | 11 |
| ASSESSMENT ROLL CHANGE PROCEDURES..... | 12 |
| ASSESSMENT APPEALS..... | 13 |
| ASSESSMENT OF REAL PROPERTY..... | 14 |
| CHANGE IN OWNERSHIP | 14 |
| NEW CONSTRUCTION..... | 16 |
| DECLINES IN VALUE..... | 18 |
| TAXABLE POSSESSORY INTERESTS..... | 18 |
| TAXABLE GOVERNMENT-OWNED PROPERTY..... | 20 |
| WATER COMPANY PROPERTY..... | 20 |
| TIMESHARES | 21 |
| LEASEHOLD IMPROVEMENTS..... | 22 |
| COMMERCIAL AND INDUSTRIAL PROPERTY..... | 22 |
| GEOTHERMAL PROPERTIES..... | 22 |
| ASSESSMENT OF BUSINESS AND PERSONAL PROPERTY..... | 24 |
| PROPERTY STATEMENT PROCESSING PROGRAM | 24 |
| DIRECT BILLING PROGRAM..... | 24 |
| VALUATION OF BUSINESS PERSONAL PROPERTY | 25 |
| CLASSIFICATION..... | 25 |
| COMPUTER VALUATION | 26 |
| AUDIT PROGRAM | 26 |
| LEASED EQUIPMENT..... | 27 |
| VALUATION OF OTHER TAXABLE PERSONAL PROPERTY..... | 27 |

| | |
|--|-----------|
| APPENDICES | 31 |
| A: COUNTY PROPERTY TAX DIVISION SURVEY GROUP | 31 |
| B: RELEVANT STATUTES AND REGULATIONS..... | 32 |
| ASSESSOR'S RESPONSE TO BOE'S FINDINGS..... | 38 |

INTRODUCTION

Although county government has the primary responsibility for local property tax assessment, the State has both a public policy interest and a financial interest in promoting fair and equitable assessments throughout California. The public policy interest arises from the enormous impact of property taxes on taxpayers and the inherently subjective nature of the assessment process. The financial interest comes from the fact that half or more of all property tax revenues are used to fund public schools and the State is required to backfill any shortfalls from that property tax funding.

The assessment practices survey program is one of the State's major efforts to address these interests and to promote uniformity, fairness, equity, and integrity in the property tax assessment process. Under this program, the State Board of Equalization (BOE) periodically reviews (surveys) every county assessor's office. This report reflects the BOE's findings in its current survey of the Mono County Assessor's Office.

Readers of previous assessment practices survey reports will note several distinct changes in the format of the report. Among other things, the previous reports commonly contained multi-part recommendations and formal suggestions. Each recommended change is now listed as a separate recommendation. Items that would have been formal suggestions under the previous format are now either recommendations or are stated informally within the text of the report. Both of these changes increased the number of recommendations in the survey reports.

The assessor is required to file with the board of supervisors a response that indicates the manner in which the assessor has implemented, intends to implement, or the reasons for not implementing the recommendations contained in this report. Copies of the response are to be sent to the Governor, the Attorney General, the BOE, the Senate and Assembly, the Mono County Grand Jury, and the Mono County Assessment Appeals Board. That response is to be filed within one year of the date the report is issued and annually thereafter until all issues are resolved. The Honorable R. Glenn Barnes, Mono County Assessor, elected to file his initial response prior to the publication of our survey; it is included in this report following the Appendices.

While typical management audit reports emphasize problem areas, they say little about operations that are performed correctly. Assessment practices survey reports also tend to emphasize problem areas, but they also contain information required by law (see *Scope of Assessment Practices Surveys*) and information that may be useful to other assessors. The latter information is provided in the hope that the report will promote uniform, effective, and efficient assessment practices throughout California.

SCOPE OF ASSESSMENT PRACTICES SURVEYS

Government Code sections 15640 and 15642 define the scope of an assessment practices survey. As directed by those statutes, our survey addresses the adequacy of the procedures and practices employed by the assessor in the valuation of property, the performance of other duties enjoined upon the assessor, and the volume of assessing work as measured by property type. As directed by Government Code section 15644, this survey report includes recommendations for improvement to the practices and procedures found by the BOE's survey team.

In addition, Revenue and Taxation Code section 75.60¹ requires the BOE to certify that the county assessment roll meets a minimum assessment level. This certification may be accomplished either by conducting an assessment sample or by determining, through objective standards—defined by regulation—that there are no significant assessment problems. The statutory and regulatory requirements pertaining to the assessment practices survey program are detailed in Appendix B.

Our survey of the Mono County Assessor's Office included reviews of the assessor's records, interviews with the assessor and his staff, and contact with other public agencies in Mono County with information relevant to the property tax assessment program. Since this survey did not include an assessment sample pursuant to Government Code section 15640(c), our review included an examination to determine whether significant assessment problems exist, as defined by Property Tax Rule 371.

An assessment practices survey is not an audit of the assessor's entire operation. We do not examine internal fiscal controls or the internal management of the assessor's office outside those areas related to assessment.

¹ All statutory references are to the Revenue and Taxation Code, unless otherwise indicated.

EXECUTIVE SUMMARY

This report presents several recommendations for improvement, but it also attempts to note those program elements that are particularly effective and efficient. It also highlights areas of improvement since our last assessment practices survey and acknowledges the implementation of previous recommendations.

- In our prior survey we made 11 recommendations. Of those, the assessor implemented seven of the changes we recommended, partially implemented one, and did not implement the remaining three recommendations.
- Mono County met the contractual obligations of its State-County Property Tax Administration Program agreement. The assessor properly reported to the Department of Finance and the auditor-controller verified the report.
- We found no deficiencies in staff certification, the assessment of taxable government-owned properties, leasehold improvements, commercial and industrial properties, computers, leased equipment, apartment properties, and aircraft, or in the processing of business property statements, the direct billing program, or the mandatory audit program.
- We found that the assessor does not exempt secured properties with base year values of \$2,000 or less as required by the county's low-value property ordinance.
- The assessor fails to issue supplemental assessments for structural leasehold improvements assessed on the unsecured roll.
- We found that the assessor fails to include the required notations for escaped assessments on the current assessment roll.
- We recommend that the assessor report section 69.5 claims to the BOE every quarter as required and collect all required information for section 63.1 claims.
- The assessor does not apply the section 482 penalty for the failure to file change in ownership statements.
- We recommend that the assessor establish a new market value for construction in progress on each lien date.
- The assessor incorrectly classifies wells as improvements. For assessment purposes, wells should be classified as land.
- We found that some timeshare units were accorded a reduction in value due to a decline-in-value review. However, identical timeshare units in the same timeshare project were not accorded the same review. We recommend that the assessor review all timeshare assessments to ensure that all declines in value are recognized.

- We recommend the assessment of taxable possessory interests in cable television franchises. We also recommend the assessor add, to the reported selling price, the present worth of the unpaid future contract rents for the reasonably anticipated term of possession.
- We found parcels owned by mutual water companies that were coded as non-taxable and not entered on the roll. Property owned by mutual water companies is taxable and should be enrolled even if it is enrolled at a zero value.
- The assessor was inappropriately requesting supplemental information from geothermal companies under the same cover letter used the annual property statement.
- We discovered that the assessor incorrectly establishes an arbitrary minimum assessment value for commercial, industrial, agricultural, and construction equipment.
- In our prior survey, we recommended that the assessor properly classify ski lifts, tows, and trams as fixtures. The assessor has changed his policy, but not all machinery and equipment have been reclassified.
- We found that the assessor does not include sales tax as a component of value when appraising boats.
- In our prior survey, we recommended that the assessor classify and enroll manufactured homes as personal property. We found that the manufactured homes are still being enrolled as real property improvements on the secured roll.
- Despite the problems noted above, we found that most properties and property types are assessed correctly.
- We found no significant assessment problems, as defined in Property Tax Rule 371. Accordingly, pursuant to section 75.60, Mono County continues to be eligible for recovery of costs associated with administering supplemental assessments.

Here is a list of the formal recommendations contained in this report, arrayed in the order that they appear in the text.

| | | |
|--------------------------|--|----|
| RECOMMENDATION 1: | Exempt low-value real property according to the low-value property exemption resolution. | 11 |
| RECOMMENDATION 2: | Issue supplemental assessments for all newly completed structural leasehold improvements on the unsecured roll. | 11 |
| RECOMMENDATION 3: | Notify the county auditor when interest should be added to escape assessments. | 12 |
| RECOMMENDATION 4: | Enter the required notations on the current assessment roll. | 13 |
| RECOMMENDATION 5: | Report section 69.5 claims for transfer of base year value to the BOE. | 15 |

| | | |
|---------------------------|---|----|
| RECOMMENDATION 6: | Accept only completed section 63.1 claims..... | 15 |
| RECOMMENDATION 7: | Apply the section 482 penalty for failure to file a timely <i>Change in Ownership Statement</i> | 16 |
| RECOMMENDATION 8: | Assess construction in progress at full value on each lien date. | 17 |
| RECOMMENDATION 9: | Classify wells as land. | 18 |
| RECOMMENDATION 10: | Assess the possessory interests of the cable television companies in Mono County. | 19 |
| RECOMMENDATION 11: | Add the present worth of the unpaid future contract rents for the reasonably anticipated term of possession to the reported selling price. | 19 |
| RECOMMENDATION 12: | Enroll parcels owned by mutual water companies..... | 20 |
| RECOMMENDATION 13: | Review all timeshare projects for possible declines in value..... | 21 |
| RECOMMENDATION 14: | Request supplemental information for geothermal properties separately from the annual property statement. | 23 |
| RECOMMENDATION 15: | Use Assessors' Handbook Section 581 as intended. | 25 |
| RECOMMENDATION 16: | Classify ski lifts, tows, and trams as fixtures. | 26 |
| RECOMMENDATION 17: | Add sales tax as a component of market value when appraising vessels..... | 28 |
| RECOMMENDATION 18: | Enroll manufactured homes as personal property. | 29 |

RESULTS OF 1996 SURVEY

Declines in Value

We made two recommendations pertaining to the assessment of real property that has declined in value. The assessor adopted our recommendation to review properties suffering from a decline in value on an annual basis and has discontinued the practice of applying the inflation factor adjustment to decline-in-value enrollments.

Disaster Relief

We recommended that the assessor include the month in which the disaster relief occurred as part of the "damaged" period. A review of appraisal records and of refund calculations indicates that the assessor has complied with this recommendation. We also recommended that the assessor maintain a central file or listing of properties that receive disaster relief. The assessor maintains a list of parcels currently receiving disaster relief to track the annual progress of repairs. Once the repairs are completed, the parcel is removed from the list. This addresses our concern for managing property subject to disaster relief.

Taxable Possessory Interests

We made several recommendations about the assessment of taxable possessory interests (PI's). These recommendations included assessing PI's for employee housing on federally owned land, assessing PI's for private sponsored events held on county property, increasing the documentation in the possessory interest appraisal files, and assessing PI's to the cable television companies operating in Mono County.

The assessor has begun to assess employee housing on federal land as possessory interests. The assessor has also improved the collection, tracking, and documentation of possessory interests. However, the assessor has not assessed the private use of rights-of-way by cable television companies. Therefore, we repeat that recommendation.

Roll Corrections

We found that the assessor did not request addition of section 506 interest to escape assessments. This practice has not changed. Again we recommend that the assessor notify the county auditor when section 506 interest should be applied to escape assessments.

Manufactured Homes

We recommended that the assessor classify and enroll manufactured homes as personal property. The assessor has modified the secured roll to include a field identifying manufactured homes, but he is still enrolling them as improvements. We again recommend the assessor enroll manufactured homes as personal property.

Timeshares

We recommended changes to the timeshare valuation program. The assessor took our recommendation under consideration, and the valuation program has been revised. The changes are reasonable and acceptable.

Audit Program

We recommended that the mandatory audit program be brought to current status and that signed waivers of the statute of limitations be obtained when a mandatory audit will not be completed on time. The assessor has fully implemented our recommendations.

Classification of Business Property

We recommended that the assessor classify ski lifts, tows, and trams as fixtures. The assessor continues to classify ski lifts, tows, and trams as structures. We repeat this recommendation.

Valuation of Bank Personal Property

We recommended that the assessor exempt the personal property owned by banks. The assessor has implemented our recommendation.

Inventory Exemption

We recommended that the assessor apply the inventory exemption to rental equipment in stock on the lien date. We found that the assessor is correctly applying the inventory exemption.

OVERVIEW OF MONO COUNTY

Set in the Inyo and Toiyabe national forests of the Sierra Nevada mountain range, Mono County's scenic natural beauty has looked the same for thousands of years. Mono County shares common borders with the counties of Inyo to the south, Fresno, Madera, Mariposa, and Tuolumne to the west, Alpine to the north, and the state of Nevada to the east. The county was incorporated April 24, 1861 and has a current population of approximately 11,000.²

The Mono County Assessor's staffing level has remained stable during the past three fiscal years, beginning in fiscal year 1996-97 and ending in 1998-99. The assessor's budget increased 10.3 percent during this three-year period. For fiscal year 1998-99, the assessor's office prepared an assessment roll containing 16,626 assessments on an adopted budget of \$507,200.³

The Mono County local assessment roll is one of the smallest among the 58 counties in California, both in its total assessed value and the number of assessments. Although the total number of assessments has been stable for several years, there have been small annual increases in the total assessed value.

The following chart displays pertinent information from the 2000-2001 assessment roll.

| <u>Property Type</u> | <u>Number of Assessments in County</u> | <u>Enrolled Values</u> |
|--|--|------------------------|
| Total Secured Roll | 15,238 | \$2,012,476,302 |
| Total Unsecured Roll (personal property except manufactured homes) | <u>1,553</u> | <u>196,824,865</u> |
| Total Roll | <u>16,791</u> | <u>\$2,209,301,167</u> |

² California Statistical Abstract, <http://www.csac.counties.org/counties.html>

³ BOE's publication *A Report on Budgets, Workloads, and Assessment Appeals Activities in California Assessors' Offices*, June 1999.

ADMINISTRATION

This portion of the survey report focuses on the administrative policies and procedures of the assessor's office that affect both the real property and business property assessment programs. We examined the following areas: State and County Property Tax Administration Program, training, exemptions, supplemental assessments, and disaster relief. We also reviewed how the assessor handles corrections and changes to the completed assessment roll, and how the assessor prepares and presents assessment appeals.

State-County Property Tax Administration Program

Section 95.31 established the State-County Property Tax Administration Program (PTAP). This program provides state-funded loans to eligible counties for the improvement of property tax administration.⁴

If an eligible county elects to participate, the county and the State Department of Finance enter into a written contract, as described in section 95.31. A PTAP loan is considered repaid if the county satisfies agreed-on performance criteria set forth in the contract. The contract provides that the county must maintain a base funding and staffing level in the assessor's office equal to the funding and staffing levels for the 1994-95 fiscal year. This requirement prevents a county from using PTAP funds to supplant the assessor's office's existing funding.

Presently, the BOE's only connection with the program is that a county's performance in the BOE's survey program is one of the contractual performance criteria specified in section 95.31. The BOE has no direct role in determining whether a county has met its contractual performance criteria for loan repayment. For most counties, as a provision of the contract, verification of performance is provided to the State Department of Finance by the county auditor-controller.

Mono County participated in the PTAP during years 1996-97, 1997-98, 1998-99, and 1999-2000. During fiscal year 2000-2001, the county borrowed \$47,778. The county's required base funding and staffing levels for the assessor's office is \$446,253 and 13 positions, respectively. The Mono County Auditor-Controller has certified to the State Department of Finance that the county has met the contractual requirements for loan repayment.

Mono County has used PTAP funds to reduce backlogs of mandatory audits, non-mandatory audits, escape assessments, assessment appeals, and decline-in-value reductions. Funds have also been used to purchase new computer hardware, software, and related staff training, all designed to increase the long-term productivity of the assessor's office.

Appraiser Certification

Section 670 provides that no person may perform the duties of an appraiser for property tax purposes unless he or she holds a valid certificate issued by the BOE. Section 671 further provides that all appraisers who hold such a certificate must complete at least 24 hours of annual

⁴ Chapter 914, Statutes of 1995 (AB 818).

training. This requirement is reduced to 12 hours of annual training if an appraiser holds an advanced certificate.

There are eight certified appraisal positions in the Mono County Assessor's Office. These include five property appraisers, one auditor-appraiser, one chief appraiser, and the assessor.

We found no problems with staff certification.

Exemptions

Article XIII, section 3(f) of the California Constitution exempts from property taxation buildings, land on which they are situated, and equipment used exclusively for religious worship. Article XIII, section 4(b) of the California Constitution also permits the exemption of property used exclusively for religious, hospital, or charitable purposes and owned or held in trust by a nonprofit organization operated for those purposes.

Church and Religious Exemptions

The county assessor administers the church and religious exemptions. The church exemption may be claimed on property owned, leased, or rented by a religious organization and used exclusively for religious worship services. The religious exemption may be claimed on property owned by a religious organization and used exclusively for religious worship or for religious worship and preschool, nursery school, or parochial school activities.

For the 2000-2001 assessment roll, the assessor processed four church exemptions and ten religious exemptions. We found that claims for the church and religious exemptions were properly processed.

Low-Value Property Exemption

Section 155.20 permits the county board of supervisors to exempt property from taxation where the tax revenues generated would be less than the cost of assessing and collecting the taxes.

In determining the level of exemption, the board of supervisors must determine at what level the costs of processing assessments and collecting taxes exceeds the funds collected, and establish the exemption level uniformly for different classes of property. The base year value or full value exempted may not exceed \$5,000, except that this limitation is increased to \$50,000 in the case of a possessory interest for a temporary and transitory use in a publicly-owned fairground, fairground facility, convention facility, or cultural facility.

In 1986, the Mono County Board of Supervisors adopted a resolution exempting real and personal property valued at \$2,000 or less.⁵ This resolution was applicable to the 1986-87 fiscal year and each fiscal year thereafter until rescinded.

⁵ Mono County Board of Supervisors Resolution No. 86-16.

RECOMMENDATION 1: Exempt low-value real property according to the low-value property exemption resolution.

Except for Section 11 properties, the assessor has not implemented the low-value property exemption for real property. He transmits all values on the secured roll to the auditor to be billed.

We recommend that the assessor implement the low-value property exemption resolution for real property as approved by the county board of supervisors.

Supplemental Assessments

Sections 75 through 75.80 provide for the issuance of supplemental assessments. A supplemental assessment reflects the difference between a new taxable value resulting from creation of a new base year value and the taxable value that exists on the current roll. If the event occurs between the lien date and the beginning of the fiscal year, a supplemental assessment is also levied for the roll being prepared. Supplemental assessments are applicable to real property except for fixtures which are normally valued as a separate appraisal unit.

The assessor is required to process supplemental assessments on all new construction even though those assessments may be for small amounts. If the resulting tax bill is \$20 or less, the county auditor is authorized to cancel the billing pursuant to section 75.41.

RECOMMENDATION 2: Issue supplemental assessments for all newly completed structural leasehold improvements on the unsecured roll.

The assessor does not issue supplemental assessments on newly completed structural leasehold improvements reported on schedule B-1 of the business property statement. The assessor properly issues supplemental assessments for leasehold improvements assessed on the secured roll.

In effect, the assessor classifies all leasehold improvements assessed on the unsecured roll as fixtures exempt from supplemental assessment. It seems unlikely that all leasehold improvements assessed on the unsecured roll would be fixtures exempt from supplemental assessments.

We recommend that the assessor issue supplemental assessments for all newly completed structural leasehold improvements on the unsecured roll.

Disaster Relief

Section 170 authorizes a county board of supervisors to adopt an ordinance providing property tax relief to an assessee whose property has been damaged or destroyed by a misfortune or calamity. The ordinance may apply to any misfortune or calamity, to a major misfortune or calamity within a region that has been declared to be in a state of disaster by the Governor, or to both. The Mono County Board of Supervisors adopted such an ordinance in 1981.

To qualify for tax relief, the property owner must make a written application to the assessor requesting reassessment within 60 days of the misfortune or calamity. However, if no application is made and if the assessor is aware of a property damaged by a misfortune or calamity within the previous six months, the assessor shall provide the last known owner of the property with an application for reassessment.

Upon receipt of a properly completed and timely filed application, the assessor shall reassess the property for tax relief purposes. If the sum of the full cash values of the land, improvements, and personalty before the damage or destruction exceeds the sum of the values after the damage by \$5,000 or more, the assessor shall then determine the percentage of value reductions and reduce the assessed values accordingly.

In our prior survey, we recommended that the assessor include the month in which the disaster relief occurred as part of the "damaged" period. A review of appraisal records and of refund calculations indicates that assessor now complies with this recommendation.

We also recommended that the assessor maintain a central file or listing of properties that receive disaster relief. Because there is no statutory requirement to maintain this list and the assessor seems to have a good handle on managing his disaster relief workload, we do not repeat the recommendation.

Assessment Roll Change Procedures

The assessor has a duty to complete the local assessment roll and deliver it to the auditor by July 1 of each year. After delivery of the roll to the auditor, the assessor cannot change an assessment unless authorized by statute, or the board of supervisors and the county counsel.

Escape assessments are assessments made after the assessor has certified that the local assessment roll was prepared pursuant to section 601. Upon discovery of property escaping assessment, the assessor must immediately add the escape assessment and any applicable penal assessment to the roll. Additionally, the assessor must also cite the Revenue and Taxation Code section that mandates the escape assessment. This action notifies the auditor-controller whether additional interest is required on the unpaid tax.

The assessor processed 937 roll changes for the 1999-2000 roll year. Of these, 790 were on the secured roll and 147 were on the unsecured roll. We make two recommendations concerning his assessment roll changes procedures.

Interest Notification

RECOMMENDATION 3: Notify the county auditor when interest should be added to escape assessments.

In our previous survey, we found that the assessor did not notify the county auditor to apply section 506 interest on certain escaped assessments. This practice has not changed. Interest must be applied to an escape where the escape was the fault of the taxpayer.

We recommend that the assessor notify the county auditor when section 506 interest should be applied to escape assessments.

Roll Notation

RECOMMENDATION 4: Enter the required notations on the current assessment roll.

We found that the assessor does not enter the required notations on the assessment rolls. When escape assessments are made for a prior year, the assessor must enter the required section 533 notation on the current roll. Section 533 provides, in relevant part, that:

[I]f this is not the roll for the assessment year in which the property escaped assessment, the entry shall be followed with "Escaped assessment for year ____ pursuant to Sections _____ of the Revenue and Taxation Code."

The auditor-controller based on information provided by the assessor prints an escape roll showing all the corrections processed that year. The section 533 public notice provision indicating an escape assessment on the current roll is not given to taxpayers. This practice does not comply with statutory requirements.

We recommend that the assessor enter the appropriate notations on the current assessment roll.

Assessment Appeals

Article XIII section 16 of the California Constitution provides that the county board of supervisors or one or more assessment appeals boards shall constitute the county board of equalization for a county. It also provides that the Legislature shall provide for the number and qualifications of members of assessment appeals boards; the manner of selecting, appointing, and removing members; and the terms for which they serve. Sections 1601 through 1645.5 provide the statutory assessment appeals process.

In Mono County, appeals are presented before an assessment appeals board that consists of three regular members and two alternate members. We found that the assessor and the appeals board work together efficiently to ensure that all appeals are heard in a timely manner. Assessment appeals in Mono County average about 12 per year.

The assessor considers assessment appeals to be an important aspect of assessment administration. Cases are diligently prepared and are presented in a professional manner. We found no problems with the assessment appeals program.

ASSESSMENT OF REAL PROPERTY

The assessor's real property assessment program includes (1) revaluation of properties that have changed ownership, (2) valuation of assessable new construction, (3) annual review of properties having market values below their factored base year values, and (4) annual review of certain properties subject to special assessment provisions.

Article XIII A of the California Constitution requires real property to be assessed at the lower of its current market value or factored base year value. The assessed value on the 1975 lien date or a value that results from a change in ownership or new construction is referred to as a property's base year value. The base year value is factored each year to reflect inflation as measured by the California Consumer Price Index (CCPI); but the inflation factor cannot exceed 2 percent per year. This indexed value is known as the factored base year value.

Change in Ownership

Section 50 requires the assessor to reappraise real property upon a change in ownership. Section 60 defines a change in ownership as the transfer of a present interest in real property, including the beneficial use thereof, the value of which is substantially equal to the value of the fee interest. Sections 62 through 69.5 exclude certain transfers from the definition of change in ownership. Exclusions include, but are not limited to, inter-spousal transfers, transfers between parents and their children, and acquisitions of replacement properties for properties taken by eminent domain.

The assessor's main source of information on changes in ownership is the county recorder's office. The recorder sends the assessor a copy of all real property transfer deeds, and the assessor's staff reviews the documents to discover changes in ownership that trigger new base year values. For the calendar year 1999, the assessor's staff reviewed 3,242 recorded documents, 1,949 of which qualified as reappraisable changes in ownership.

We found that the assessor properly processes changes in ownership and applies sound appraisal theory in valuation methods. However, we did note deficiencies in the areas of quarterly reporting to the BOE, the processing of parent/child transfer exclusions, and obtaining information from taxpayers on changes in ownership.

Section 69.5 Exclusions

Section 69.5 provides tax relief for qualifying senior citizens by allowing them to transfer the base year value of their residence to another residence of equal or lesser value in the same county (or between counties where the receiving county has adopted an implementing ordinance). The replacement residence must be purchased or newly constructed within two years of the sale of the original property and the applicant must be over 55 years of age. In the case of a married couple, only one spouse need be older than 55 years.

RECOMMENDATION 5: Report section 69.5 claims for transfer of base year value to the BOE.

The assessor does not report section 69.5 claims for transfers of base year values to the BOE. In order to prevent duplicate claims within the state, section 69.5 requires assessors to file quarterly reports with the BOE listing all base year value transfer claims.⁶ The report provides the necessary information for the BOE to identify all claimants who have received relief.

We recommend the assessor comply with section 69.5 by reporting section 69.5 claims on a quarterly basis to the BOE.

Section 63.1 Exclusions

Section 63.1 excludes from change in ownership the purchase or transfer, on or after November 6, 1986, of the principal residence and the first \$1 million of other real property between parents and children when a claim is timely filed. Generally, such claims must be filed within three years of the purchase or transfer sought to be excluded, or prior to the transfer of the real property to a third party, whichever is earlier. Section 63.1 was modified in 1996 to include a purchase or transfer, on or after March 27, 1996, between grandparents and their grandchild or grandchildren, if all of the parents of that grandchild or those grandchildren, who qualify as the children of the grandparents, are deceased as of the date of purchase or transfer.

RECOMMENDATION 6: Accept only completed section 63.1 claims.

If the taxpayer files an incomplete section 63.1 claim, the assessor processes the claim anyway. When section 63.1 claims are received and the real property transferred is other than the transferor's principal residence, certain additional information is required. The information includes:

- a certification that other real property of the transferor that is subject to section 63.1 claim has or has not been previously sold or transferred to an eligible transferee,
- the total amount of the full cash value of any real property that has been previously sold or transferred by that transferor to eligible transferees,
- the location of that real property,
- the social security number of each eligible transferor, and
- the names of the eligible transferees of that property.

Processing the incomplete claim without the required information does not comply with statutory provisions and does not help the assessor or the BOE manage the section 63.1 exclusion limits.

We recommend that the assessor accept only completed section 63.1 claims.

⁶ Mono County has not adopted a section 69.5 ordinance. Nevertheless, the assessor is required to report claims where the property owner transfers the Mono County base year value to a county with such an ordinance.

Change in Ownership Statements

Section 480.3 provides that transferees of real property may file with the recorder, concurrent with the recordation of any document effecting a change in ownership, a *Preliminary Change in Ownership Report* (PCOR). In Mono County, the PCOR is forwarded to the assessor for review, along with a copy of the recorded transfer document.

When a transfer document is recorded without a PCOR, or when the information supplied on the PCOR is insufficient or incomplete, the assessor sends a *Change in Ownership Statement* (COS) to the transferee. Most recorded transfers are accompanied by a PCOR; only about 5 percent are not.

RECOMMENDATION 7: Apply the section 482 penalty for failure to file a timely *Change in Ownership Statement*.

In Mono County, the assessor allows 60 days instead of the statutory 45 days for the property owner to return a completed COS. In addition, we found that the section 482 penalty is never applied when the taxpayer fails to return a COS or returns an incomplete COS.

Section 480(a) provides that whenever there occurs any change in ownership of real property or of a manufactured home that is subject to local property taxation, the transferee shall file a signed change in ownership statement. Section 482 provides for a penalty for the failure to file within 45 days from the date of a written request by the assessor, of either one hundred dollars or 10 percent of the taxes applicable to the new base year value, whichever is greater, but not to exceed \$2,500 if the failure to file was not willful. This section also provides that if, after a request by the assessor, the transferee files an incomplete statement or fails to supply the missing information after a second request, the penalty applies.

We recommend the assessor comply with section 482 and apply appropriate penalties for failure to file a COS in a timely manner.

New Construction

Section 71 requires the assessor to reappraise newly constructed real property upon the date of completion, and on each lien date while construction is in progress. Assessors discover most new construction activity from building permits. Other discovery methods include business property statements, aerial photographs, news reports, and field inspections.

Building Permit Processing

Mono County has two building permit-issuing agencies: the County of Mono, and the City of Mammoth Lakes. In addition, the county health department has the responsibility of issuing permits for wells and waste disposal systems. Copies of building permits are mailed to the assessor on a monthly basis, along with copies of all building plans. For the 1999-2000 fiscal year, these agencies issued a total of about 1,100 permits. We found no problems with the processing of permits.

Construction In Progress

Section 71 reads in part:

New construction in progress on the lien date shall be appraised at its full value on such date and each lien date thereafter until the date of completion, at which time the entire portion of the property which is newly constructed shall be reappraised at its full value.

RECOMMENDATION 8: Assess construction in progress at full value on each lien date.

When new construction is in progress on the lien date, the assessor properly enrolls the full value of that new construction for the initial assessment. For subsequent lien dates and for the date of completion, he does not enroll the full value as of the subsequent lien date or date of completion. Instead, the assessor enrolls the difference between the full value as of that lien date or date of completion and the factored value of the previous construction in progress as of the next roll year. This procedure has the effect of establishing a base year value for the new construction applicable to each lien date.

The assessor's procedure is contrary to the requirements of section 71, and the procedure also tends to result in minor underassessments of newly constructed properties that were construction in progress on at least one lien date.

Section 71 requires the assessor to appraise construction in progress at full value on each lien date. When construction is completed, section 71 requires the assessor to appraise completed new construction at full value as of the date of completion. This becomes the new base year value for the completed new construction. It is inappropriate to maintain incremental values as separate base year values.

The assessor's procedure tends to undervalue new construction because construction costs tend to increase over time at a rate higher than the inflation factor applied to base year values. Although the assessor does prepare a fair market value estimate of new construction for each lien date and for the date of completion, the process of adding increments resulted in roll values that were lower than fair market value for every property that we reviewed.

We recommend that the assessor revise his procedures to ensure that construction in progress on the lien date is assessed at full value and that the original base year value of completed new constructed is set at fair market value.

Classification

RECOMMENDATION 9: Classify wells as land.

The assessor classifies wells as improvements. Property Tax Rule 124 mandates that wells be assessed as land rather than as an improvement. As such, any value added for the installation of a new well should be attributed to the land.

We recommend that the assessor classify the installation of wells as an assessment to the land.

Declines in Value

When preparing the assessment roll, section 51 requires the assessor to enroll the lesser of either (1) a property's factored base year value (FBYV) or (2) its current market value as defined in section 110. When a property's current market value falls below its FBYV on any given lien date, the assessor must enroll the lower value as the taxable value for that property. If, on a subsequent lien date, a property's market value rises above the FBYV, then the assessor must restore the FBYV.

In our last survey of Mono County, we recommended that the assessor review declines in value on an annual basis and discontinue the practice of adding the inflation factor to those properties enrolled as a decline in value. We found that the assessor has corrected these problems and fully implemented our prior recommendations. However, in the case of timeshares, where the market seems to indicate a decline in value, the assessor has not conducted reviews for decline in value. We address this problem later in this report.

Taxable Possessory Interests

A taxable possessory interest (PI) is a private property interest in publicly owned real property. For property tax purposes, the term possessory interest includes either the possession or the right to possession of real property when a tax-exempt government agency holds the fee title of that property.

The assessor is responsible for the valuation of approximately 600 possessory interests with a total value of more than \$17,000,000. Possessory interest assessments are enrolled on the unsecured roll but handled by the real property staff. Each year the transfer analyst sends out a letter to all public agencies that own land in Mono County requesting information as to the names of lessees, their addresses, and their monthly contract rents.

In our previous survey report, we made several recommendations pertaining to the assessment of possessory interests. These recommendations advised assessing PI's for employee housing on federally owned land, assessing PI's for privately sponsored events held on county property, increasing the documentation in the possessory interest appraisal files, and assessing PI's of the cable television companies operating in Mono County.

Currently, we found that the assessor has begun assessing employee housing on federal land as possessory interests. The assessor has also improved the collection, tracking, and documentation

of possessory interests as well. However, the private uses of public property by cable television companies have continued to escape assessment. We have been informed that the Bridgeport Motorcycle Jamboree has been canceled, so we do not repeat a recommendation concerning that event. We repeat our recommendation to assess the possessory interests held by the cable television companies.

Discovery

RECOMMENDATION 10: Assess the possessory interests of the cable television companies in Mono County.

There are now three cable television companies operating in Mono County, but none has been assessed for its use of the public rights of way. The assessor is only assessing the business property of these cable television companies.

The cable television companies have the right to run their cables in the public rights-of-way along city and county streets. In *Cox Cable San Diego, Inc. v. County of San Diego* (1986) 185 Cal.App.3d 368, the Fourth District Court of Appeal held that such (cable television) rights are taxable possessory interests. In *Stanislaus County v. Assessment Appeals Board* (1989) 213 Cal.App.3d 1445, the Fifth District Court of Appeal held that a cable television company's "...authority to use public rights-of-way is an assessable possessory interest in real property..."

Clearly these are taxable interests that must be assessed. Section 107.7 provides guidance on the valuation of cable television possessory interests to ensure that such assessments do not include value attributable to intangible assets and rights.

We recommend that the assessor assess the possessory interests of the cable television companies in Mono County.

Direct Comparison Method

RECOMMENDATION 11: Add the present worth of the unpaid future contract rents for the reasonably anticipated term of possession to the reported selling price.

When using the sales comparison approach to value, the assessor enrolls the reported sales price, or the indicated market value based on comparable sales, as the value of the possessory interest. However, in determining the sales prices of both the subject and comparable sales, the assessor is not adjusting the prices for the present worth of the unpaid future contract rent.

Property Tax Rule 25(a) provides that when the assessor is using the direct comparison method to the sale price of the subject or similar possessory interest, the assessor is required to add, among other things, the present value of any unpaid future contract rents for the estimated remaining term of possession. The sale price of a possessory interest is an incomplete indicator of its total market value unless all future rents have been prepaid. When future rents for the right of use and possession are unpaid, the sale price serves only as an indication of the equity value. To arrive at the actual consideration in the sale of a possessory interest, the appraiser must add

the present worth of the unpaid future contract rents, for the reasonably anticipated term of possession, to the reported selling price. The sum of these two components provides an indication of the total market value of the possessory interest.

We recommend that the assessor add the present worth of the unpaid future contract rents, for the reasonably anticipated term of possession, to the reported selling price.

Taxable Government-Owned Property

Article XIII, section 3(b) of the California Constitution exempts from property taxation any property owned by local governments, except as provided in section 11. Section 11(a) provides that land, and the improvements thereon, located outside an agency's boundaries are taxable if the property was subject to taxation at the time of acquisition. Improvements that were constructed to replace improvements that were taxable when acquired are also taxable. These lands and taxable improvements are commonly referred to as Section 11 properties.

For the 2000/2001 roll, the assessor is responsible for about 187 Section 11 parcels valued at about \$152,400,000. He verifies that all government-owned parcels are either located within an agency's boundaries or are outside its boundaries and, therefore, subject to assessment as a Section 11 property.

We found no problems with the Section 11 assessment program.

Water Company Property

Water company property on the local assessment roll may be municipal district water systems, private water companies regulated or unregulated by the California Public Utilities Commission (CPUC), or mutual water companies.

Municipal Water Systems

We found the assessment of parcels owned by the municipal water systems located within city limits or district boundaries to have been handled correctly. The parcels are exempt from taxation under article XIII, section 3(b) of the California Constitution.

Mutual Water Companies

RECOMMENDATION 12: Enroll parcels owned by mutual water companies.

We found that parcels in Mono County owned by mutual water companies are coded as non-taxable and are not enrolled. A mutual water company is a private association created for the purpose of providing water at cost to its members or stockholders. Property owned by mutual water companies is taxable and should be enrolled despite the fact it may be enrolled at a nominal value. Section 601 provides that the assessor shall prepare an assessment roll that shall include all property within the county, which it is the assessor's duty to assess.

We recommend the assessor enroll all mutual water company parcels.

Private Water Companies Regulated by the California Public Utilities Commission

Private water companies are investor-owned, for-profit utilities in the business of selling water. They are subject to regulation by the CPUC and must submit annual financial reports to the CPUC.

There is only one private regulated water company in Mono County. This company experienced a change in ownership in February 1996. The assessor considered the taxable value to be very similar to the market value and did not change the base year value of the real property. However, statutory provisions require the establishment of a new base year value upon a change in ownership. Therefore, we suggest that the assessor establish base year values for the real property because of the change in ownership.

Procedures

Because transfers of water companies seldom occur in Mono County, the staff lacks experience in the complex appraisal of water companies. Without a procedures manual, staff members lack an authoritative resource to direct their efforts. We believe that development of a step-by-step procedures manual would be beneficial.

Timeshares

A timeshare estate is ownership in a property in which a purchaser has the right of occupancy of a specified or unspecified unit for a specified time interval. When purchased, a timeshare typically includes some personal property (furniture, linens, kitchenware, and household items) and some non-real property items (considered non-taxable). The following are examples of non-real property items: vacation exchange rights, club memberships, selling and promotional expenses, and prepaid expenses such as a maintenance fee for the upcoming year.

In our prior survey, we recommended a change in the valuation program for timeshare assessments. We found that the assessor implemented our recommendation.

There are 1,422 timeshares in Mono County located in the resort areas of Mammoth and June Lake. The assessor uses a specific numbering system to identify timeshare interests. We found the method of initial valuation of timeshare interests to be reasonable. However, reviews for declines in value are not adequate.

RECOMMENDATION 13: Review all timeshare projects for possible declines in value.

The assessor's practice is to review for a decline in value only when the property owner has requested a review. We found some timeshare units assessed at current market value while other identical timeshare unit assessments, in the same timeshare project, were not reduced, even though the evidence indicated that reductions were warranted. Instead of reviewing all timeshare units, the assessor only reviews those units where a taxpayer has submitted a written request for review. Where the assessor is aware of properties experiencing declines in value, he has an obligation to review these assessments.

We recommend that the assessor review all timeshare assessments to ensure that all declines in value are recognized.

Leasehold improvements

Leasehold improvements are structural or fixture improvements made to rented or leased premises, and they are typically installed and paid for by the tenant/lessee. Improvements installed by the tenant/lessee can be either secured to the real property or assessed to the tenant on the unsecured roll.

Commercial, industrial, and other types of income-producing properties require frequent review by the assessor because, as tenants change over a period of time, they may alter the original improvements in a number of ways. Examples include additions, removals, or possibly both, resulting in a changed use of the property. These changes must, by law, be reviewed and reflected in the property's assessment if they qualify as new construction.

The most common means of discovering leasehold improvements is through business property statements and building permits. Taxpayers are required to report structural and land improvement costs on their business property statements. Requiring this reporting supplements the building permit discovery process because many construction items, such as paving and concrete work, may not require a building permit. Additionally, many companies with large facilities perform a number of construction projects each year that may not be clearly identified by the building permits. Information on the business property statement can assist the assessor in discovering these items and obtaining acquisition costs.

Our review of the assessor's leasehold improvement processing procedures revealed no problems. We found good coordination between the business property and real property divisions, including well-documented records.

Commercial and Industrial Property

We reviewed a number of commercial and industrial property records pertaining to small shopping centers, hotels, and industrial properties. We found for those properties with a change in ownership and a confirmed sales price, the assessor enrolled the sales price. Land comparables were used to allocate the reported sales price between land and improvements. The appraisal staff also uses reported costs and *Marshal Valuation Service* cost indicators to value new construction. The income approach is used when appropriate and when reliable income data is available.

We found the commercial and industrial appraisals to be complete with adequate support and documentation.

Geothermal Properties

Mono County has a number of geothermal properties used to generate electricity. A mineral consultant performs these appraisals for the assessor. A review of these appraisals indicates that the consultant is correctly following Property Tax Rule 473, *Geothermal Properties*, in the assessment of geothermal properties.

RECOMMENDATION 14: Request supplemental information for geothermal properties separately from the annual property statement.

In addition to the annual property statement, the assessor includes another questionnaire requesting specific data relating to geothermal properties and power plants. The cover letter includes a statement that failure to file a complete return timely will result in a section 463 penalty.

This is incorrect. The assessor can apply the section 463 penalty only for failure to timely file a BOE-prescribed property statement. Because the assessor included the penalty language in the cover letter, he implied that failure to timely complete both the property statement and the supplemental questionnaire will result in the section 463 penalty.

The assessor is entitled to obtain specific property information pursuant to section 441(d), but this request should not be part of the filing of the annual property statement. In addition, the assessor cannot apply the section 463 penalty for failure to complete the supplemental questionnaire.

We recommend that the assessor request the supplemental information under a separate cover letter.

ASSESSMENT OF BUSINESS AND PERSONAL PROPERTY

The business property division is responsible for annually processing approximately 1,600 business property statements, 100 leasing company statements, and 27 agricultural statements. It also handles the processing of forms and assessments for about 250 vessels and 30 aircraft. There are 192 business accounts that are on direct billing. Currently there is only one auditor-appraiser to complete this workload.

Property Statement Processing Program

Section 441 requires each person owning taxable personal property in excess of \$100,000 to file an annual business statement with the assessor. Annual property statements form the backbone of the business property assessment program. These statements cover a wide variety of property types, including businesses, agriculture, boats, and aircraft.

We reviewed the assessor's property statement processing procedures and a sample of property statements. We found no problems in the assessor's processing of property statements. Property statements had appropriate signatures, accurate calculations, and were processed correctly.

Direct Billing Program

Many California assessors utilize an assessment procedure called "direct billing" or "direct assessment." It is a method of assessing qualified low-value business accounts or accounts with very little annual change without the annual filing of the business property statement. An initial value is established and continued for several years, with property statement filings or field reviews periodically. Examples of businesses suitable for direct billing include apartments, barber shops, beauty parlors, small cafés and restaurants, and professional firms with small equipment holdings.

The direct billing program is beneficial to the taxpayer and the assessor. It results in a reduction of paperwork for taxpayers and fewer business property statements that require annual processing by the assessor. This increases time available for the auditor-appraiser to conduct audits.

The assessor has 192 business property accounts on the direct billing program, the majority of which are small, service-oriented businesses. Once every four years all direct billing accounts receive a regular business property statement to be completed and returned.

The assessor has a good direct billing program. The assessor established the following guidelines for accounts in the program: (1) the assessed value must be less than \$30,000, (2) there must be few changes in equipment costs from year to year, and (3) a business property statement must have been filed for the past two years. We found no problems in the assessor's direct billing program.

Valuation of Business Personal Property

Taxable values (or assessed values) of business personal property are typically derived from historical or original costs (referred to as acquisition costs), through the use of valuation factors. The valuation factors are the product of equipment index factors and percent good factors. Accurate assessments of equipment depend on the proper choice and application of these factors.

Section 401.5 requires the BOE to issue information that, in the judgment of the BOE, will promote uniformity in appraisal practices and in assessed values throughout the state. The BOE complies with section 401.5 for business personal property by publishing Assessors' Handbook Section 581, *Equipment Index and Percent Good Factors* (AH 581). Equipment index and percent good factors are published annually for use in computing current market value estimates of machinery and equipment from acquisition costs.

AH 581 contains 12 categories of indices for commercial equipment, six categories for industrial equipment, and one category each for agricultural and construction equipment. The percent good factors are set forth in two tables, one for machinery and equipment, and one for agricultural and mobile construction equipment. Percent good factors for agricultural and construction equipment are provided for both new and used equipment.

Index factors recognize items such as price changes and technological progress, and are intended to reflect the price of a replacement. The percent good factors are intended to reflect the average loss in value suffered by specific types of properties over their expected service lives. The percent good factors contained in the handbook are based on the premise that these types of properties lose value as they age.

RECOMMENDATION 15: Use Assessors' Handbook Section 581 as intended.

The assessor establishes minimum valuation factors of 10 to 38 percent of cost for commercial, industrial, agricultural, and construction equipment, which factors are not part of the instructions for using the AH 581. When valuing property, it is necessary for appraisers to analyze individual property items for deviations from the norm. If such deviations exist, it is appropriate to adjust the normal percent good factor to reflect the deviation. However, establishing minimum valuation factors without documentation or support is not an acceptable appraisal practice.

We recommend that the assessor use the index and percent good factors in the AH 581 as intended.

Classification

Classification is an important and required factor of the assessment function for several reasons. Principally, it is important because property tax law requires that land, improvements (including fixtures), and other classes of property be separately assessed.⁷ It is also significant because of differences in the assessment of real property versus personal property, which include the following: (1) special assessments are levied only on real property, (2) the tax rate on the

⁷ Rule 252, and sections 602 and 607.

unsecured roll is the rate for the prior year's secured roll,⁸ (3) personal property is appraised annually at market value and not governed by article XIII A of the California Constitution, and (4) fixtures are a separate appraisal unit when measuring declines in value.

RECOMMENDATION 16: Classify ski lifts, tows, and trams as fixtures.

In our previous survey report, we recommended that the assessor properly classify ski lifts, tows, and trams as fixtures rather than as structures. We found that the assessor has changed his policy, but he has only implemented the change to one of two resorts in the county.

The ski resorts in Mono County have a considerable amount of fixed machinery and equipment that have been improperly classified as structures. This equipment should be classified as fixtures.

AH 581 includes a section on the classification of improvements as structures or fixtures. It specifically lists ski lifts, tows, and trams as fixtures, not structures. In addition, Property Tax Rule 122.5, Fixtures, sets out guidelines to help the assessor determine whether property is a fixture or a structure for property tax purposes.

We recommend that the assessor properly classify all ski resort properties. Fixtures should be valued as a separate appraisal unit, at the lower of current market value or factored base year value. Fixtures should be classified as machinery and equipment, not structural improvements.

Computer Valuation

The valuation of computers and related equipment has been a contested issue between taxpayers and assessors for the last several years due to the rapid obsolescence of computerized equipment. For the 2000 lien date, the BOE issued Letter To Assessors (LTA) 98/61 containing tables of valuation factors for computers.

The computer tables provide valuation factors for personal computers, mid-range computers, and mainframe computer systems. These factors were developed using data submitted to the BOE from representatives of the computer industry, the California Assessors' Association, and the BOE's Property Taxes Department. We found that the assessor is appropriately valuing computers using the BOE-recommended factors.

Audit Program

Section 469 and Property Tax Rule 192 provide that the assessor shall audit a taxpayer's profession, trade, or business at least once every four years whenever the locally assessable trade fixtures and business tangible personal property have a full value of three hundred thousand (\$300,000) or more for four consecutive years. These are known as mandatory audits. When the audits are not completed timely, any assessment changes beyond the four year span will be lost unless a waiver of the statute of limitations has been signed by the taxpayer or his/her legal agent. Extensions of the time for making an assessment, correction or claim for refund are provided for in section 532.1.

⁸ California Constitution, article XIII, section 12.

The audit program is an important function of an assessor's business property assessment program. Audits ensure that taxable property has been reported accurately by the taxpayer and assessed properly by the assessor. Audits also allow for investigation and resolution of reporting and appraisal problems. A property tax audit is a means of collecting data relevant to determination of taxability, situs, and value of property. Based on the audit findings, the original assessment may be adjusted to reflect the audited values.

The assessor's mandatory audit program includes 19 taxpayers in the four-year cycle. There were five audits completed during the 1999 audit cycle. We found no problems in the assessor's audit program. The audits we reviewed reflect quality auditing with proper documentation, audit checklists, and clear, concise narratives. The auditor-appraiser in the business division keeps the mandatory audits current.

Leased Equipment

One of the responsibilities of the assessor's business property division is the discovery and assessment of leased equipment. Assesseees are required to report all leased property (taxable property in their possession but belonging to others) on their annual business property statement. Assesseees are required to provide the type of property, year of acquisition and manufacture, cost to purchase new, description or lease number, and the owner's name and address. To ensure proper assessment of leased equipment, it is necessary to have procedures for tracking and cross-checking leased equipment.

When property is on lease, both lessors and lessees should report such property on their annual property statement. At the end of such leases, the lessees may keep the equipment or return it to the lessors. A procedure should be in place to identify the disposition of leased equipment upon termination of a lease.

When lessees obtain ownership and retain possession of equipment at the end of such leases, the assessor should check to ensure that lessees report that property. Cross-checking information reported by lessors and lessees verifies the accuracy of the reported information and prevents leased equipment from escaping assessment or being double assessed.

We found that the assessor has sufficient procedures for tracking and cross-checking leased equipment.

Valuation of Other Taxable Personal Property

General Aircraft

Prior to the 1997 lien date, the BOE published aircraft valuation data each year in Assessors' Handbook Section 587, *Aircraft Valuation Data*. The BOE no longer publishes this handbook section. On January 8, 1997, the BOE approved the *Aircraft Bluebook Price Digest* as the primary guide for valuing aircraft. As stated in LTA 97/03, the BOE further directed that the listed retail values shall be reduced by 10 percent to provide reasonable estimates of fair market values for aircraft in truly average condition on the lien date. In any instance, appropriate

adjustments to the book value must be made in order to estimate a market value in the hands of the user.

The assessor assesses 30 general aircraft, including two historical aircraft. The assessor discovers general aircraft through the airport manager's reports, correspondence from other counties, and the Federal Aviation Administration reports provided by the BOE.

The assessor primarily uses the *Aircraft Bluebook Price Digest* valuation guide for appraising general aircraft. The value is calculated by reducing the list price by 10 percent, and making appropriate adjustments. Adjustments are made for engine hours, avionics, major damage history, airframe hours, and general aircraft condition.

Historical Aircraft

There were two historical aircraft in Mono County for the 2000 lien date. Aircraft of historical significance or historical aircraft may qualify for exemption from property taxation. The definition of exempt historical aircraft is set forth in section 220.5(d), which provides that an aircraft of historical significance is any aircraft which is an original, restored, or replica of a heavier than air powered aircraft which is 35 years or older or any aircraft of a type or model of which there are fewer than five in number known to exist worldwide. Additionally, section 220.5 requires that the owner certify that the aircraft has been or will be available for display at least 12 days during each relevant 12-month period.

The assessor ensures that the requirements of section 220.5 are met before granting the exemption for historical significance.

We have no recommendations or suggestions to make concerning the aircraft assessment program.

Vessels

For the 2000-01 assessment roll, Mono County assessed 247 vessels with a total assessed value of \$1,294,633. The primary sources of discovery are Department of Motor Vehicles' reports, harbormaster reports, and referrals from other counties.

Assessors in California are required to annually appraise boats at market value and to assess all boats with an assessed value above \$400, unless the county has a resolution exempting low-valued property above the \$400 statutory exemption. Mono County has a resolution exempting property valued at less than \$2,000.

RECOMMENDATION 17: Add sales tax as a component of market value when appraising vessels.

The auditor-appraiser does not add a component for sales tax to the listed *ABOS* values to arrive at the full value of the vessel. Sales tax is a recognized component of market value and should be added to the values listed in the *ABOS* price guide when determining market value. Since sales

tax has not been included in the boat appraisals, the assessed values of vessels are understated by the amount of the applicable sales tax in Mono County.

We recommend that the assessor add sales tax as a component of market value when making vessel appraisals.

Apartment Personality

Landlord-owned personal property in apartment complexes is assessable and reportable on the annual *Apartment House Property Statement* Form 571-R. Such personal property includes, but is not limited to, refrigerators, freestanding electrical stoves, exercise equipment, pool equipment, laundry equipment, maintenance equipment, office furniture, and common area furniture.

The auditor-appraiser assessed nine apartment house accounts for the assessment roll 2000-2001. There were four unsecured accounts with a total full value of \$281,341, and five accounts with a full value of \$87,785 enrolled on the secured assessment roll.

We found no problems in the processing and assessment of apartment house accounts.

Manufactured Homes

A manufactured home is subject to local property taxation if it was first sold new on or after July 1, 1980, or if the owner voluntarily requested conversion from vehicle license fee status to local property taxation. The statutes prescribing the method of valuing and assessing manufactured homes are set forth in sections 5800 through 5842. Health and Safety Code sections 18001.8 through 18613.2 define a manufactured home.

The assessor is responsible for assessing approximately 250 manufactured homes. The assessor uses the sales comparison approach and the *NADA Manufactured Housing Appraisal Guide* (NADA) for valuing manufactured homes on an annual basis.

RECOMMENDATION 18: Enroll manufactured homes as personal property.

In our 1996 assessment practices survey, we recommended that the assessor classify and enroll manufactured homes as personal property. The assessor subsequently modified the secured roll to include a special field for manufactured housing. This allowed the continued practice of enrolling business property in the personal property field on the secured roll while manufactured homes are listed on another field.

However, even though manufactured housing is reviewed annually, only about 72 percent of the homes in parks are enrolled using the "mobile" field. The other 28 percent remain enrolled as structures. Additionally, on both the hard copy of the secured roll and the computer screen available for viewing by the public, the "mobile" field appears as a sub-category under improvements/real property. Section 5801(b)(2) provides that manufactured homes that have not become real property by being affixed to land on a permanent foundation system pursuant to

section 18551 of the Health and Safety Code shall not be classified as real property for property tax purposes.

We recommend the assessor enroll manufactured homes as personal property.

APPENDICES

A: County Property Tax Division Survey Group

Mono County Assessment Practices Survey

Chief, County Property Tax Division:

Charles Knudsen

Survey Program Director:

Gene Palmer

Principal Property Appraiser

Survey Team Supervisor:

Arnold Fong

Supervising Property Appraiser

Survey Team Leader:

Dale Peterson

Senior Property Auditor-Appraiser

Survey Team:

Sally Boeck

Senior Specialist Property Appraiser

James McCarthy

Senior Petroleum and Mining Appraisal

Engineer

Ronald Louie

Associate Property Appraiser

Julius Trujillo

Tax Technician II

B: Relevant Statutes and Regulations

Government Code

15640. Survey by board of county assessment procedures.

- (a) The State Board of Equalization shall make surveys in each county and city and county to determine the adequacy of the procedures and practices employed by the county assessor in the valuation of property for the purposes of taxation and in the performance generally of the duties enjoined upon him or her.
- (b) The surveys shall include a review of the practices of the assessor with respect to uniformity of treatment of all classes of property to ensure that all classes are treated equitably, and that no class receives a systematic overvaluation or undervaluation as compared to other classes of property in the county or city and county.
- (c) The surveys may include a sampling of assessments from the local assessment rolls. Any sampling conducted pursuant to subdivision (b) of Section 15643 shall be sufficient in size and dispersion to insure an adequate representation therein of the several classes of property throughout the county.
- (d) In addition, the board may periodically conduct statewide surveys limited in scope to specific topics, issues, or problems requiring immediate attention.
- (e) The board's duly authorized representatives shall, for purposes of these surveys, have access to, and may make copies of, all records, public or otherwise, maintained in the office of any county assessor.
- (f) The board shall develop procedures to carry out its duties under this section after consultation with the California Assessors' Association. The board shall also provide a right to each county assessor to appeal to the board appraisals made within his or her county where differences have not been resolved before completion of a field review and shall adopt procedures to implement the appeal process.

15641. Audit of Records; Appraisal Data Not Public.

In order to verify the information furnished to the assessor of the county, the board may audit the original books of account, wherever located; of any person owning, claiming, possessing or controlling property included in a survey conducted pursuant to this chapter when the property is of a type for which accounting records are useful sources of appraisal data.

No appraisal data relating to individual properties obtained for the purposes of any survey under this chapter shall be made public, and no state or local officer or employee thereof gaining knowledge thereof in any action taken under this chapter shall make any disclosure with respect thereto except as that may be required for the purposes of this chapter. Except as specifically provided herein, any appraisal data may be disclosed by the board to any assessor, or by the board or the assessor to the assessee of the property to which the data relate.

The board shall permit an assessee of property to inspect, at the appropriate office of the board, any information and records relating to an appraisal of his or her property, including "market data" as defined in Section 408. However, no information or records, other than "market data," which relate to the property or business affairs of a person other than the assessee shall be disclosed.

Nothing in this section shall be construed as preventing examination of that data by law enforcement agencies, grand juries, boards of supervisors, or their duly authorized agents, employees, or representatives conducting an investigation of an assessor's office pursuant to Section 25303, and other duly authorized legislative or administrative bodies of the state pursuant to their authorization to examine that data.

15642. Research by board employees.

The board shall send members of its staff to the several counties and cities and counties of the state for the purpose of conducting that research it deems essential for the completion of a survey report pursuant to Section 15640 with respect to each county and city and county. The survey report shall show the volume of assessing work to be done as measured by the various types of property to be assessed and the number of individual assessments to be made, the responsibilities devolving upon the county assessor, and the extent to which assessment practices are consistent with or differ from state law and regulations. The report may also show the county assessor's requirements for maps, records, and other equipment and supplies essential to the adequate performance of his or her duties, the number and classification of personnel needed by him or her for the adequate conduct of his or her office, and the fiscal outlay required to secure for that office sufficient funds to ensure the proper performance of its duties.

15643. When surveys to be made.

- (a) The board shall proceed with the surveys of the assessment procedures and practices in the several counties and cities and counties as rapidly as feasible, and shall repeat or supplement each survey at least once in five years.
- (b) The surveys of the 10 largest counties and cities and counties shall include a sampling of assessments on the local assessment rolls as described in Section 15640. In addition, the board shall each year, in accordance with procedures established by the board by regulation, select at random at least three of the remaining counties or cities and counties, and conduct a sample of assessments on the local assessment roll in those counties. If the board finds that a county or city and county has "significant assessment problems," as provided in Section 75.60 of the Revenue and Taxation Code, a sample of assessments will be conducted in that county or city and county in lieu of a county or city and county selected at random. The 10 largest counties and cities and counties shall be determined based upon the total value of locally assessed property located in the counties and cities and counties on the lien date that falls within the calendar year of 1995 and every fifth calendar year thereafter.
- (c) The statewide surveys which are limited in scope to specific topics, issues, or problems may be conducted whenever the board determines that a need exists to conduct a survey.
- (d) When requested by the legislative body or the assessor of any county or city and county to perform a survey not otherwise scheduled, the board may enter into a contract with the requesting local agency to conduct that survey. The contract may provide for a board sampling of assessments on the local roll. The amount of the contracts shall not be less than the cost to the board, and shall be subject to regulations approved by the Director of General Services.

15644. Recommendations by board.

The surveys shall incorporate reviews of existing assessment procedures and practices as well as recommendations for their improvement in conformity with the information developed in the surveys as to what is required to afford the most efficient assessment of property for tax purposes in the counties or cities and counties concerned.

15645. Survey report; final survey report; assessor's report.

- (a) Upon completion of a survey of the procedures and practices of a county assessor, the board shall prepare a written survey report setting forth its findings and recommendations and transmit a copy to the assessor. In addition the board may file with the assessor a confidential report containing matters relating to personnel. Before preparing its written survey report, the board shall meet with the assessor to discuss and confer on those matters which may be included in the written survey report.
- (b) Within 30 days after receiving a copy of the survey report, the assessor may file with the board a written response to the findings and recommendations in the survey report. The board may, for good cause, extend the period for filing the response.
- (c) The survey report, together with the assessor's response, if any, and the board's comments, if any, shall constitute the final survey report. The final survey report shall be issued by the board within two years after the date the board began the survey. Within a year after receiving a copy of the final survey report, and annually thereafter, no later than the date on which the initial report was issued by the board and until all issues are resolved, the assessor shall file with the board of supervisors a report, indicating the manner in which the assessor has implemented, intends to implement, or the reasons for not implementing the recommendations of the survey report, with copies of that response being sent to the Governor, the Attorney General, the State Board of Equalization, the Senate and Assembly and to the grand juries and assessment appeals boards of the counties to which they relate.

15646. Copies of final survey reports to be filed with local officials.

Copies of final survey reports shall be filed with the Governor, Attorney General, and with the assessors, the boards of supervisors, the grand juries and assessment appeals boards of the counties to which they relate, and to other assessors of the counties unless one of these assessors notifies the State Board of Equalization to the contrary and, on the opening day of each regular session, with the Senate and Assembly.

Revenue and Taxation Code

75.60. Allocation for administration.

- (a) Notwithstanding any other provision of law, the board of supervisors of an eligible county or city and county, upon the adoption of a method identifying the actual administrative costs associated with the supplemental assessment roll, may direct the county auditor to allocate to the county or city and county, prior to the allocation of property tax revenues pursuant to Chapter 6(commencing with Section 95) and prior to the allocation made pursuant to Section 75.70, an amount equal to the actual administrative costs, but not to exceed 5 percent of the revenues that have been collected on or after January 1, 1987, due to the assessments under this chapter. Those revenues shall be used solely for the purpose of administration of this chapter, regardless of the date those costs are incurred.
- (b) For purposes of this section:
 - (1) "Actual administrative costs" includes only those direct costs for administration, data processing, collection, and appeal that are incurred by county auditors, assessors, and tax collectors. "Actual administrative costs" also includes those indirect costs for administration, data processing, collections, and appeal that are incurred by county auditors, assessors, and tax collectors and are allowed by state and federal audit standards pursuant to the A-87 Cost Allocation Program.
 - (2) "Eligible county or city and county" means a county or city and county that has been certified by the State Board of Equalization as an eligible county or city and county. The State Board of Equalization shall certify a county or city and county as an eligible county or city and county only if both of the following are determined to exist:
 - (A) The average assessment level in the county or city and county is at least 95 percent of the assessment level required by statute, as determined by the board's most recent survey of that county or city and county performed pursuant to Section 15640 of the Government Code.
 - (B) For any survey of a county assessment roll for the 1996-97 fiscal year and each fiscal year thereafter, the sum of the absolute values of the differences from the statutorily required assessment level described in subparagraph (A) does not exceed 7.5 percent of the total amount of the county's or city and county's statutorily required assessed value, as determined pursuant to the board's survey described in subparagraph (A).
 - (3) Each certification of a county or city and county shall be valid only until the next survey made by the board. If a county or city and county has been certified following a survey that includes a sampling of assessments, the board may continue to certify that county or city and county following a survey that does not include sampling if the board finds in the survey conducted without sampling that there are no significant assessment problems in the county or city and county. The board shall, by regulation, define "significant assessment problems" for purposes of this section, and that definition shall include objective standards to measure performance. If the board finds in the survey conducted without sampling that significant assessment problems exist, the board shall conduct a sampling of assessments in that county or city and county to determine if it is an eligible county or city and county. If a county or city and county is not certified by the board, it may request a new survey in advance of the regularly scheduled survey, provided that it agrees to pay for the cost of the survey.

Title 18, California Code of Regulations

Rule 370. Random selection of counties for representative sampling.

- (a) **SURVEY CYCLE.** The board shall select at random at least three counties from among all except the 10 largest counties and cities and counties for a representative sampling of assessments in accordance with the procedures contained herein. Counties eligible for random selection will be distributed as equally as possible in a five-year rotation commencing with the local assessment roll for the 1997–98 fiscal year.
- (b) **RANDOM SELECTION FOR ASSESSMENT SAMPLING.** The three counties selected at random will be drawn from the group of counties scheduled in that year for surveys of assessment practices. The scheduled counties will be ranked according to the size of their local assessment rolls for the year prior to the sampling.
 - (1) If no county has been selected for an assessment sampling on the basis of significant assessment problems as provided in subdivision (c), the counties eligible in that year for random selection will be divided into three groups (small, medium, and large), such that each county has an equal chance of being selected. One county will be selected at random by the board from each of these groups. The board may randomly select an additional county or counties to be included in any survey cycle year. The selection will be done by lot, with a representative of the California Assessors' Association witnessing the selection process.
 - (2) If one or more counties are scheduled for an assessment sampling in that year because they were found to have significant assessment problems, the counties eligible for random selection will be divided into the same number of groups as there are counties to be randomly selected, such that each county has an equal chance of being selected. For example, if one county is to be sampled because it was found to have significant assessment problems, only two counties will then be randomly selected and the pool of eligible counties will be divided into two groups. If two counties are to be sampled because they were found to have significant assessment problems, only one county will be randomly selected and all counties eligible in that year for random selection will be pooled into one group.
 - (3) Once random selection has been made, neither the counties selected for an assessment sampling nor the remaining counties in the group for that fiscal year shall again become eligible for random selection until the next fiscal year in which such counties are scheduled for an assessment practices survey, as determined by the five-year rotation. At that time, both the counties selected and the remaining counties in that group shall again be eligible for random selection.
- (c) **ASSESSMENT SAMPLING OF COUNTIES WITH SIGNIFICANT ASSESSMENT PROBLEMS.** If the board finds during the course of an assessment practices survey that a county has significant assessment problems as defined in Rule 371, the board shall conduct a sampling of assessments in that county in lieu of conducting a sampling in a county selected at random.
- (d) **ADDITIONAL SURVEYS.** This regulation shall not be construed to prohibit the Board from conducting additional surveys, samples, or other investigations of any county assessor's office.

Rule 371. Significant assessment problems .

- (a) For purposes of Revenue and Taxation Code Section 75.60 and Government Code Section 15643, "significant assessment problems" means procedure(s) in one or more areas of an assessor's assessment operation, which alone or in combination, have been found by the Board to indicate a reasonable probability that either:
 - (1) the average assessment level in the county is less than 95 percent of the assessment level required by statute; or
 - (2) the sum of all the differences between the board's appraisals and the assessor's values (without regard to whether the differences are underassessments or overassessments), expanded statistically over the assessor's entire roll, exceeds 7.5 percent of the assessment level required by statute.
- (b) For purposes of this regulation, "areas of an assessor's assessment operation" means, but is not limited to, an assessor's programs for:
 - (1) Uniformity of treatment for all classes of property.
 - (2) Discovering and assessing newly constructed property.
 - (3) Discovering and assessing real property that has undergone a change in ownership.
 - (4) Conducting mandatory audits in accordance with Revenue and Taxation Code Section 469 and Property Tax Rule 192.
 - (5) Assessing open-space land subject to enforceable restriction, in accordance with Revenue and Taxation Code Sections 421 et. seq.
 - (6) Discovering and assessing taxable possessory interests in accordance with Revenue and Taxation Code Sections 107 et. seq.
 - (7) Discovering and assessing mineral-producing properties in accordance with Property Tax Rule 469.
 - (8) Discovering and assessing property that has suffered a decline in value.
 - (9) Reviewing, adjusting, and, if appropriate, defending assessments for which taxpayers have filed applications for reduction with the local assessment appeals board.
- (c) A finding of "significant assessment problems," as defined in this regulation, would be limited to the purposes of Revenue and Taxation Code Section 75.60 and Government Code Section 15643, and shall not be construed as a generalized conclusion about an assessor's practices.

ASSESSOR'S RESPONSE TO BOE'S FINDINGS

Section 15645 of the Government Code provides that the assessor may file with the BOE a response to the findings and recommendation in the survey report. The Mono County Assessor's response begins on the next page. The BOE has no comments on the response.



Office of the . . . ASSESSOR

C O U N T Y O F M O N O

P. O. Box 456 • BRIDGEPORT • CALIFORNIA • 93517

R. GLENN BARNES

ASSESSOR

(760) 932 - 5204

**MONO COUNTY ASSESSMENT PRACTICES SURVEY
RECOMMENDATIONS AND RESPONSES**

RECOMMENDATION #1: Exempt low-value real property according to the Low Value Property Exemption Resolution.

ASSESSOR'S RESPONSE: We agree and we are currently addressing this problem.

RECOMMENDATION #2: Issue supplemental assessments for all newly completed structural lease hold improvements on the unsecured roll.

ASSESSOR'S RESPONSE: We agree. Will be implemented.

RECOMMENDATION #3: Notify the County Auditor when interest should be added to escape assessments.

ASSESSOR'S RESPONSE: We agree. This has been implemented by a computer screen modification where a box is merely checked to signal the County Auditor when interest should be added.

RECOMMENDATION #4: Enter the required notations on the current assessment roll.

ASSESSOR'S RESPONSE: We agree. Has been implemented.

RECOMMENDATION #5: Report section 69.5 claims for transfer of base year value to the BOE.

ASSESSOR'S RESPONSE: We agree. Has been implemented.

RECOMENDATION #6: Accept only completed Section 63.1 Claims.

ASSESSOR'S RESPONSE: We Agree.

RECOMMENDATION #7: Apply the section 482 penalty for failure to file a timely "Change in Ownership Statement".

ASSESSOR'S RESPONSE: We continue to pursue the information necessary to do our job. We are running ahead of the statewide average in receiving information requested by at least 10%. (Observation by SBE auditor during survey) If we issue the penalty we may not receive the information. We are more interested in the receipt of information than the levying of a penalty. The penalty does not assist us in determining value, but receiving the requested information does.

RECOMMENDATION #8: Appraise construction in progress at full value on each lien date.

ASSESSOR'S RESPONSE: We agree. Has been implemented.

RECOMMENDATION #9: Classify wells as land.

ASSESSOR'S RESPONSE: We will change our classification of water wells as recommended.

RECOMMENDATION #10: Review all timeshare projects for possible declines in value.

ASSESSOR'S RESPONSE: At the present time our office is operating at approximately 60% of professional field staffing. We agree with the recommendation and will implement when staffing will allow.

RECOMMENDATION #11: Assess the possessory interests of cable television companies in Mono County.

ASSESSOR'S RESPONSE: We agree. Will be implemented.

RECOMMENDATION #12: Add the present worth of the unpaid future contract rents for the reasonably anticipated term of possession to the reported selling price.

ASSESSOR'S RESPONSE: We agree. Will be implemented.

RECOMMENDATION #13: Enroll parcels owned by mutual water companies.

ASSESSOR'S RESPONSE: This would constitute a double assessment as the value for the mutual water company is in the value of the lots that the mutual serves just like a common area of a condominium project. The value of the common area is in the sold units.

RECOMMENDATION #14: Request supplemental information for geothermal properties separately from the annual property statement.

ASSESSOR'S RESPONSE: We agree. The assessor will request the supplemental information under a separate cover letter.

RECOMMENDATION #15: Use the Assessor's Handbook Section 581 as intended.

ASSESSOR'S RESPONSE: We are using the adopted California Assessor's Association Business Assessment Factors, as they more credibly represent the values of those personal property items.

RECOMMENDATION #16: Classify Ski Lifts, Tows, and Trams as fixtures.

ASSESSOR'S RESPONSE: We have two Ski Areas. We have classified and cataloged the information on June Mountain. We are currently involved in a change of ownership of Mammoth Mountain and as of the completion of the physical inventory will have it cataloged as well.

RECOMMENDATION #17: Add sales tax as a component of market value when appraising vessels.

ASSESSOR'S RESPONSE: We agree. Has been implemented.

RECOMMENDATION #18: Enroll manufactured homes as personal property.

ASSESSOR'S RESPONSE: After the 1996 assessment practices survey the assessor modified the secured roll to include a special field for manufactured housing. This allowed the continued practice of enrolling business property in the personal property field on the secured roll while manufactured homes are listed on another field. Following the recommendation of the May 2000 assessment practices survey, additional modifications were made to the computer in the "Mobile" field. The hard copy of the secured roll now reads "Mobile PP", indicating mobilehome personal property. The mobilehomes have always been valued as personal property evidenced by the master property file.